

**NORTH UNION COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2020**

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NORTH UNION COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

BOARD OF EDUCATION

| | | |
|-------------------|----------------|------|
| Jennifer VonBank | President | 2021 |
| Travis Nielsen | Vice President | 2023 |
| Michael Bierstedt | Board Member | 2023 |
| Gene Miller | Board Member | 2021 |
| Arthur Pixler | Board Member | 2021 |

SCHOOL OFFICIALS

| | |
|------------------|------------------------------|
| Travis Schueller | Superintendent |
| Erin Rogers | District Secretary/Treasurer |



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Independent Auditors' Report

To the Board of Education of the
North Union Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of North Union Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the North Union Community School District, Armstrong, Iowa, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As described in Note 14 to the financial statements, the District corrected an error in the recording of an expense from prior years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions, the Notes to Required Supplementary Information – Pension Liability and the Schedule of Changes to the District's Total OPEB Liability and Related Ratios on pages 4 through 12 and pages 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The other supplementary information included in Schedules 1 through 5 is presented for purposed of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021 on our consideration of North Union Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Union Community School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Union Community School District's internal control over financial reporting and compliance.

Williams & Company, P.C.

Certified Public Accountants

Estherville, Iowa
March 18, 2021

NORTH UNION COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

North Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$5,632,151 in fiscal year 2019 to \$6,072,888 in fiscal year 2020, while General fund expenditures increased from \$5,916,289 in fiscal year 2019 to \$5,985,966 in fiscal year 2020. The District's General fund balance increased from \$1,842,267 at the end of 2019 to \$1,975,610 at the end of fiscal year 2020.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Union School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financials statements report North Union Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which North Union Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

GASB 34 North Union Community School District Annual Financial Report

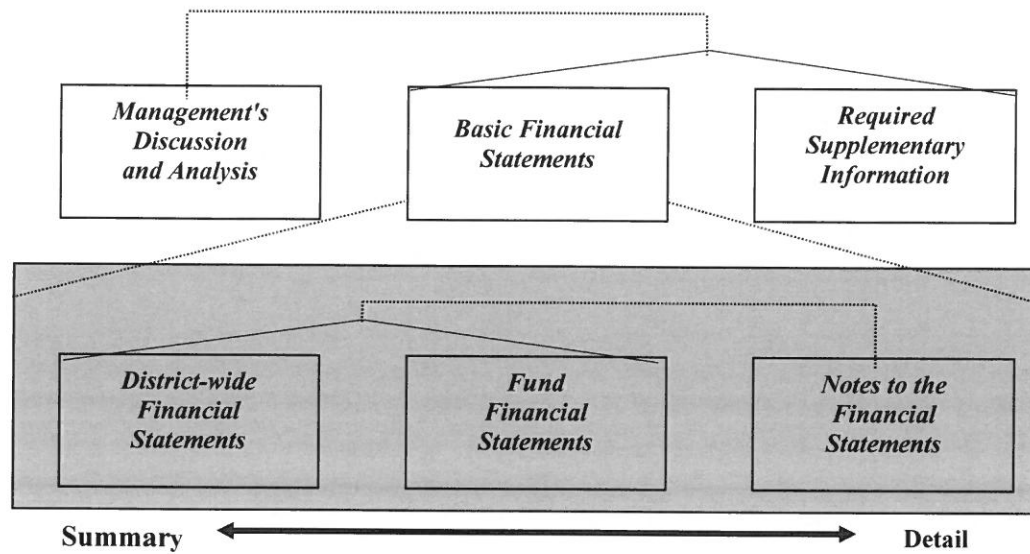


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All revenues and expenses during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net Position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary fund includes an agency fund and a scholarship fund. The District accounts for outside donations for scholarships for individual students in this fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net position and statement of change in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

| Figure A-3 | | | | | | | |
|-------------------------------------|-------------------------|---------------|--------------------------|-------------|----------------|---------------|--------------|
| Condensed Statement of Net Position | | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total District | | Total Change |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2019-2020 |
| Current and Other Assets | \$ 11,152,231 | \$ 10,810,060 | \$ 55,426 | \$ 25,450 | \$ 11,207,657 | \$ 10,835,510 | 3.4% |
| Capital Assets | 5,829,634 | 5,599,650 | 1,372 | 2,549 | 5,831,006 | 5,602,199 | 4.1% |
| Total Assets | 16,981,865 | 16,409,710 | 56,798 | 27,999 | 17,038,663 | 16,437,709 | 3.7% |
| Deferred Outflows of Resources | 523,754 | 649,238 | 17,076 | 17,325 | 540,830 | 666,563 | -18.9% |
| Current Liabilities | 1,525,818 | 1,581,305 | 8,842 | 3,398 | 1,534,660 | 1,584,703 | -3.2% |
| Non-Current Liabilities | 3,294,488 | 3,424,363 | 63,030 | 68,561 | 3,357,518 | 3,492,924 | -3.9% |
| Total Liabilities | 4,820,306 | 5,005,668 | 71,872 | 71,959 | 4,892,178 | 5,077,627 | -3.7% |
| Deferred Inflows of Resources | 3,991,363 | 3,816,468 | 15,469 | 9,984 | 4,006,832 | 3,826,452 | 4.7% |
| Net Position: | | | | | | | |
| Net Investment in Capital Assets | 4,463,558 | 4,329,758 | 1,372 | 2,549 | 4,464,930 | 4,332,307 | 3.1% |
| Restricted | 4,533,903 | 4,290,912 | - | - | 4,533,903 | 4,290,912 | 5.7% |
| Unrestricted | (303,511) | (383,858) | (14,839) | (39,168) | (318,350) | (423,026) | 24.7% |
| Total Net Position | \$ 8,693,950 | \$ 8,236,812 | \$ (13,467) | \$ (36,619) | \$ 8,680,483 | \$ 8,200,193 | 5.9% |

The District's combined net position at June 30, 2019 was \$8,200,193 and increased to \$8,680,483 at June 30, 2020, an increase of 5.9%. This increase in net position can be attributed to the increase in current assets in the Governmental Activities funds.

The Restricted net position of the District's net position and represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$242,991, primarily due to the increase in the School Infrastructure Fund balance.

The unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, established debt covenants, enabling legislation or other legal requirements – is negative due to implementing GASB 68. The District's unrestricted net position increased by 24.7%, primarily due to an increase in the unassigned funds in the general fund and GASB estimate changes.

Figure A-4 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

| Figure A-4 Changes in Net Position | | | | | | | | |
|---|----------------------------|--------------|-----------------------------|-----------|-------------------|--------------|-----------------|--|
| | Governmental Activities | | Business-Type Activities | | Total District | | Total Change | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2019-2020 | |
| Revenues | | | | | | | | |
| Program Revenues: | | | | | | | | |
| Charges for Service | \$ 1,320,033 | \$ 1,169,468 | \$ 55,525 | \$ 81,147 | \$ 1,375,558 | \$ 1,250,615 | 10.0% | |
| Operating Grants, Contributions, and Restricted Interest | 921,567 | 682,265 | 179,065 | 115,644 | 1,100,632 | 797,909 | 37.9% | |
| Capital Grants and Contributions | - | 2,350 | - | - | - | 2,350 | -100.0% | |
| General Revenues: | | | | | | | | |
| Property Tax | 3,479,641 | 3,328,443 | - | - | 3,479,641 | 3,328,443 | 4.5% | |
| Income Surtax | 109,318 | 258,374 | - | - | 109,318 | 258,374 | -57.7% | |
| SSSU Tax | 425,251 | 424,024 | - | - | 425,251 | 424,024 | 0.3% | |
| State Grants | 1,165,799 | 1,141,831 | - | - | 1,165,799 | 1,141,831 | 2.1% | |
| Interest Income | 79,249 | 73,375 | - | 400 | 79,249 | 73,775 | 7.4% | |
| Gain/(Loss) on Sales of Assets | 6,750 | 7,348 | - | - | 6,750 | 7,348 | 100.0% | |
| Transfers | 7,225 | 11,337 | (7,225) | (11,337) | - | - | 0.0% | |
| Miscellaneous | 92,908 | 68,728 | - | - | 92,908 | 68,728 | 35.2% | |
| Total Revenues and Transfers | 7,607,741 | 7,167,543 | 227,365 | 185,854 | 7,835,106 | 7,353,397 | 6.6% | |
| Program Expenses: | | | | | | | | |
| Instruction | 4,553,192 | 4,469,967 | - | - | 4,553,192 | 4,469,967 | 1.9% | |
| Support Services | 2,046,757 | 2,021,148 | - | - | 2,046,757 | 2,021,148 | 1.3% | |
| Non-Instructional | - | - | 204,213 | 185,020 | 204,213 | 185,020 | 10.4% | |
| Other expenses | 550,654 | 477,433 | - | - | 550,654 | 477,433 | 15.3% | |
| Total Expenses | 7,150,603 | 6,968,548 | 204,213 | 185,020 | 7,354,816 | 7,153,568 | 2.8% | |
| Change In Net Position | \$ 457,138 | \$ 198,995 | \$ 23,152 | \$ 834 | \$ 480,290 | \$ 199,829 | 140.4% | |

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

The District's total revenues were approximately \$7.83 million, of which \$7.61 million was for governmental activities and \$227 thousand was for business type activities.

As shown in Figure A-4, the district as a whole experienced a 6.6% increase in revenues and a 2.8% increase in expenses. The increase in General Fund revenues was largely affected by an increase in program revenues received. The increase in expenditures was due to additional instructional supports based on student and programming needs.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2020 were \$7,607,741 and expenses were \$7,150,603.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2020 compared to June 30, 2019.

| Figure A-5 | | | | | | |
|--|------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| Total and Net Cost of Governmental Activities | | | | | | |
| | Total Cost of Services | | | Net Cost of Services | | |
| | 2020 | 2019 | Change 2019-2020 | 2020 | 2019 | Change 2019-2020 |
| Instruction | \$ 4,553,192 | \$ 4,469,967 | | \$ 2,518,752 | \$ 2,821,645 | |
| Support Services | 2,046,757 | 2,021,148 | | 2,046,757 | 2,021,148 | |
| Other Expenses | 550,654 | 477,433 | | 343,494 | 271,672 | |
| Total | <u>\$ 7,150,603</u> | <u>\$ 6,968,548</u> | <u>2.6%</u> | <u>\$ 4,909,003</u> | <u>\$ 5,114,465</u> | <u>-4.0%</u> |

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$1,320,033.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$921,567.
- The net cost of governmental activities was financed with \$4,014,210 in property taxes and other taxes and \$1,165,799 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$227,365 representing a 22.3% increase over the prior year, while expenses totaled \$204,213 representing a 10.4% increase over the prior year. (Refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Union School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,218,653, a 6.6% increase over last year's ending fund balance of \$5,832,030. This was due to the increase in balance in the Statewide Sales, Service, and use Tax fund.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by sharing staff and cutting expenses from portions of the budget that were not already obligated, such as supplies, maintenance, and utility items.

The General Fund net change in fund balance was a \$94,147 increase. This was a result of lower expenditures during the shutdown due to COVID-19.

The Statewide Sales Service and Use Tax net change in fund balance was an increase of \$325,173, compared to an increase in fund balance of \$273,611 in fiscal year 2019. The District did not complete any major projects in fiscal year 2020. The high school locker room project was just getting underway at the end of the year.

The Capital Projects Fund, Physical Plant and Equipment Levy (PPEL) net change in fund balance was a decrease of \$57,116. This was a result of increased repairs and equipment purchases throughout the year.

Proprietary Fund Highlights

The School Nutrition change in fund balance was a positive \$23,152 at the end of fiscal year 2020. This was a result of participating in the summer food service program from March through June.

Budgetary Highlights

The North Union Community School District did not amend its annual budget during the fiscal year ending June 30, 2020.

The District's revenues were \$367,328 more than budgeted, primarily due to an increase in anticipated state and federal resources.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2020, the District had invested \$5.8 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$405,834.

The original cost of the District's capital assets was \$12,926,027. Governmental funds account for \$12,875,028 with the remainder of \$50,999 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

| | Capital Assets, Net of Depreciation | | | | | | |
|---------------------------------|-------------------------------------|---------------------|------------------------|-----------------|---------------------|---------------------|----------------|
| | Governmental Activities | | Business-Type Activity | | Total District | | Total % Change |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2019-2020 |
| Land | \$ 28,000 | \$ 28,000 | \$ - | \$ - | \$ 28,000 | \$ 28,000 | 0.00% |
| Construction in Progress | 137,048 | - | - | - | 137,048 | - | 100.00% |
| Buildings & Improvements | 4,775,111 | 4,872,833 | 1,372 | 2,549 | 4,776,483 | 4,875,382 | -2.03% |
| Equipment, Furniture & Vehicles | 889,475 | 698,817 | - | - | 889,475 | 698,817 | 27.28% |
| Total | <u>\$ 5,829,634</u> | <u>\$ 5,599,650</u> | <u>\$ 1,372</u> | <u>\$ 2,549</u> | <u>\$ 5,831,006</u> | <u>\$ 5,602,199</u> | <u>4.08%</u> |

Long-Term Liabilities

At year-end, the District had \$3,527,569 of long-term liabilities. See Figure A-7 below. Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

| Figure A-7 | | | |
|--|-----------------------|---------------------|---------------|
| Outstanding Long-Term Liabilities | | | |
| | Total School District | | Total Change |
| | 2020 | 2019 | 2019-2020 |
| Leases Payable | \$ 366,076 | \$ 269,892 | 35.64% |
| Total OPEB Liability | 222,855 | 234,811 | -5.09% |
| QZAB Bonds | 1,000,000 | 1,000,000 | 0.00% |
| Net Pension Liability | 1,938,638 | 2,258,113 | -14.15% |
| Total | <u>\$ 3,527,569</u> | <u>\$ 3,762,816</u> | <u>-6.25%</u> |

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future.

- The whole grade sharing agreement between the North Union and North Kossuth school districts began July 1, 2014 and includes sharing grades 6-12 and the districts continue to work towards reorganization.
- The North Union and North Kossuth school districts entered into an agreement to share Superintendent beginning July 1, 2016. The district also continues to share other operational positions to best utilize resources, increase miscellaneous revenues, and maximize supplementary weighting.
- The COVID-19 pandemic has caused added uncertainty to the local economy and enrollment projects. The District is also monitoring the current and future effects the pandemic may have on increases in supplies costs, decreases in activity revenue, and increases in academic supports.
- Management is continuously looking for new ways to increase revenues and decrease costs to maintain the financial health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Erin Rogers, Business Manager, North Union Community School District, PO Box 75, Armstrong, IA 50514-0075.

NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Primary Government Governmental Activities | Business Type Activities | Total |
|--|--|--------------------------------|---------------------|
| Assets | | | |
| Cash and Pooled Investments: | | | |
| Unrestricted | \$ 6,112,449 | \$ 26,940 | \$ 6,139,389 |
| Restricted | 818,033 | - | 818,033 |
| Receivables: | | | |
| Property Tax | 13,718 | - | 13,718 |
| Property Tax - Succeeding Year | 3,480,337 | - | 3,480,337 |
| Income Surtax | 168,988 | - | 168,988 |
| Accounts Receivable | 15,130 | 12 | 15,142 |
| Due from Other Governmental Agencies | 529,282 | 29,364 | 558,646 |
| Internal Balances | 14,294 | (14,294) | - |
| Inventories | - | 13,404 | 13,404 |
| Land | 28,000 | - | 28,000 |
| Construction in Progress | 137,048 | - | 137,048 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 5,664,586 | 1,372 | 5,665,958 |
| Total Assets | <u>16,981,865</u> | <u>56,798</u> | <u>17,038,663</u> |
| Deferred Outflows of Resources | | | |
| Pension Related Deferred Outflows | 479,812 | 15,740 | 495,552 |
| OPEB Related Deferred Outflows | 43,942 | 1,336 | 45,278 |
| Total Deferred Outflows of Resources | <u>523,754</u> | <u>17,076</u> | <u>540,830</u> |
| Liabilities | | | |
| Accounts Payable | 900,720 | - | 900,720 |
| Accrued Wages and Payroll Liabilities | 383,533 | 2,449 | 385,982 |
| Accrued Interest Payable | 8,484 | - | 8,484 |
| Unearned Revenue | - | 6,393 | 6,393 |
| Long-Term Liabilities: | | | |
| Debt Due Within One Year: | | | |
| Lease Payable | 233,081 | - | 233,081 |
| Debt Due in More Than One Year: | | | |
| Lease Payable | 132,995 | - | 132,995 |
| QZAB Bond Payable | 1,000,000 | - | 1,000,000 |
| Net Pension Liability | 1,938,638 | 56,256 | 1,994,894 |
| Total OPEB Liability | 222,855 | 6,774 | 229,629 |
| Total Liabilities | <u>4,820,306</u> | <u>71,872</u> | <u>4,892,178</u> |
| Deferred Inflows of Resources | | | |
| Unavailable Revenues: | | | |
| Succeeding Year Property Tax | 3,480,337 | - | 3,480,337 |
| Pension Related Deferred Inflows | 502,322 | 15,204 | 517,526 |
| OPEB Related Deferred Inflows | 8,704 | 265 | 8,969 |
| Total Deferred Inflows of Resources | <u>3,991,363</u> | <u>15,469</u> | <u>4,006,832</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 4,463,558 | 1,372 | 4,464,930 |
| Restricted for: | | | |
| Physical Plant and Equipment Levy | 1,450,554 | - | 1,450,554 |
| Categorical Funding | 176,531 | - | 176,531 |
| School Infrastructure | 2,280,323 | - | 2,280,323 |
| Student Activities | 182,882 | - | 182,882 |
| Management Levy | 443,613 | - | 443,613 |
| Unrestricted | (303,511) | (14,839) | (318,350) |
| Total Net Position | <u>\$ 8,693,950</u> | <u>\$ (13,467)</u> | <u>\$ 8,680,483</u> |

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| Functions/Programs | Expenses | Program Revenues | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular Instruction | \$ 2,741,653 | \$ 926,254 | \$ 457,271 | \$ - |
| Special Instruction | 877,180 | 173,256 | - | - |
| Other Instruction | 934,359 | 220,523 | 257,136 | - |
| Support Services: | | | | |
| Student Services | 100,591 | - | - | - |
| Instructional Staff Services | 195,180 | - | - | - |
| Administration Services | 718,008 | - | - | - |
| Operations and Maintenance | 677,991 | - | - | - |
| Transportation Services | 354,987 | - | - | - |
| Other Expenditures: | | | | |
| Facilities Acquisition | 96,228 | - | - | - |
| Long-term Debt Interest and Fiscal Charges | 10,738 | - | - | - |
| AEA Flow-Through | 207,160 | - | 207,160 | - |
| Unallocated Depreciation* | 236,528 | - | - | - |
| Total Governmental Activities | 7,150,603 | 1,320,033 | 921,567 | - |
| Business-Type Activities: | | | | |
| School Nutrition Fund | 204,213 | 55,525 | 179,065 | - |
| Total School District | \$ 7,354,816 | \$ 1,375,558 | \$ 1,100,632 | \$ - |

General Revenues:

Property Tax Levied For:
 General Purposes
 Management Levy
 Physical Plant and Equipment Levy
Income Surtax
 General Purposes
 Capital Outlay
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Gain/(Loss) on Sale of Assets
Transfers
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------------|----------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (1,358,128) | | \$ (1,358,128) |
| (703,924) | | (703,924) |
| (456,700) | | (456,700) |
| (100,591) | | (100,591) |
| (195,180) | | (195,180) |
| (718,008) | | (718,008) |
| (677,991) | | (677,991) |
| (354,987) | | (354,987) |
| (96,228) | | (96,228) |
| (10,738) | | (10,738) |
| - | | - |
| (236,528) | | (236,528) |
| (4,909,003) | | (4,909,003) |
| - | \$ 30,377 | 30,377 |
| (4,909,003) | 30,377 | (4,878,626) |
| 2,761,302 | - | 2,761,302 |
| 174,282 | - | 174,282 |
| 544,057 | - | 544,057 |
| 54,659 | - | 54,659 |
| 54,659 | - | 54,659 |
| 425,251 | - | 425,251 |
| 1,165,799 | - | 1,165,799 |
| 79,249 | - | 79,249 |
| 6,750 | - | 6,750 |
| 7,225 | (7,225) | - |
| 92,908 | - | 92,908 |
| 5,366,141 | (7,225) | 5,358,916 |
| 457,138 | 23,152 | 480,290 |
| 8,236,812 | (36,619) | 8,200,193 |
| \$ 8,693,950 | \$ (13,467) | \$ 8,680,483 |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

| | General | Statewide Sales Service and Use Tax | Physical Plant and Equipment Levy | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--|--|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and Pooled Investments | | | | | |
| Unrestricted | \$ 2,574,571 | \$ 1,505,350 | \$ 1,402,260 | \$ 630,268 | \$ 6,112,449 |
| Restricted | - | 818,033 | - | - | 818,033 |
| Receivables: | | | | | |
| Property Taxes | 10,943 | - | 2,078 | 697 | 13,718 |
| Property Taxes - Succeeding Year | 2,776,072 | - | 529,265 | 175,000 | 3,480,337 |
| Income Surtax | 84,494 | - | 84,494 | - | 168,988 |
| Other Accounts Receivable | 2,250 | - | 11,903 | 977 | 15,130 |
| Due from Other Governmental Agencies | 493,469 | 35,813 | - | - | 529,282 |
| Due from Other Funds | 53,762 | - | - | 87 | 53,849 |
| Total Assets | <u>5,995,561</u> | <u>2,359,196</u> | <u>2,030,000</u> | <u>807,029</u> | <u>11,191,786</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 775,493 | 78,873 | 40,820 | 5,534 | 900,720 |
| Accrued Wages and Payroll Liabilities | 383,533 | - | - | - | 383,533 |
| Due to Other Funds | 359 | - | 39,196 | - | 39,555 |
| Total Liabilities | <u>1,159,385</u> | <u>78,873</u> | <u>80,016</u> | <u>5,534</u> | <u>1,323,808</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenues: | | | | | |
| Succeeding Year Property Taxes | 2,776,072 | - | 529,265 | 175,000 | 3,480,337 |
| Succeeding Year Income Surtax | 84,494 | - | 84,494 | - | 168,988 |
| Total Deferred Inflows of Resources | <u>2,860,566</u> | <u>-</u> | <u>613,759</u> | <u>175,000</u> | <u>3,649,325</u> |
| Fund Balances | | | | | |
| Restricted for: | | | | | |
| Categorical Funding | 176,531 | - | - | - | 176,531 |
| School Infrastructure | - | 2,280,323 | - | - | 2,280,323 |
| Student Activities | - | - | - | 182,882 | 182,882 |
| Management Levy | - | - | - | 443,613 | 443,613 |
| Physical Plant and Equipment | - | - | 1,336,225 | - | 1,336,225 |
| Unassigned | 1,799,079 | - | - | - | 1,799,079 |
| Total Fund Balances | <u>1,975,610</u> | <u>2,280,323</u> | <u>1,336,225</u> | <u>626,495</u> | <u>6,218,653</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 5,995,561</u> | <u>\$ 2,359,196</u> | <u>\$ 2,030,000</u> | <u>\$ 807,029</u> | <u>\$ 11,191,786</u> |

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2020**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

| | |
|--|---------------------|
| Total Fund Balance - Governmental Funds (page 16) | \$ 6,218,653 |
| The income surtax receivable is not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. | 168,988 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 5,829,634 |
| Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported as assets and liabilities in the governmental funds, as follows: | |
| Deferred outflows of resources | 479,812 |
| Deferred inflows of resources | (502,322) |
| | (22,510) |
| OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported as assets and liabilities in the governmental funds, as follows: | |
| Deferred outflows of resources | 43,942 |
| Deferred inflows of resources | (8,704) |
| | 35,238 |
| Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (8,484) |
| Long-term liabilities, including bonds payable, capital leases, other postemployment benefits payable and net pension liability, are not due and payable in the current period and therefore are not reported in the governmental funds. | (3,527,569) |
| Total Net Position - Governmental Activities (page 13) | <u>\$ 8,693,950</u> |

NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | General | Statewide Sales Service and Use Tax | Physical Plant and Equipment Levy | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--|--|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local Tax | \$ 2,845,796 | \$ - | \$ 628,551 | \$ 174,282 | \$ 3,648,629 |
| Tuition | 788,783 | - | - | - | 788,783 |
| Other | 218,823 | 36,970 | 87,633 | 223,658 | 567,084 |
| State Sources | 1,881,926 | 425,251 | 3,146 | 1,057 | 2,311,380 |
| Federal Sources | 337,560 | - | - | - | 337,560 |
| Total Revenues | <u>6,072,888</u> | <u>462,221</u> | <u>719,330</u> | <u>398,997</u> | <u>7,653,436</u> |
| Expenditures | | | | | |
| Instruction: | | | | | |
| Regular Instruction | 2,635,480 | - | 98,436 | - | 2,733,916 |
| Special Instruction | 877,980 | - | - | - | 877,980 |
| Other Instruction | 733,523 | - | - | 202,272 | 935,795 |
| Support Services: | | | | | |
| Student Services | 100,811 | - | - | - | 100,811 |
| Instructional Staff Services | 99,065 | - | 96,115 | - | 195,180 |
| Administration Services | 607,425 | - | 44,221 | 67,281 | 718,927 |
| Operations and Maintenance | 498,395 | - | 332,522 | 83,331 | 914,248 |
| Transportation Services | 226,127 | - | 203,699 | 21,694 | 451,520 |
| Other Expenditures: | | | | | |
| Facilities Acquisition | - | 137,048 | 96,228 | - | 233,276 |
| Long-Term Debt: | | | | | |
| Principal | - | - | - | 107,515 | 107,515 |
| Interest and Fiscal Charges | - | - | - | 8,159 | 8,159 |
| AEA Flow-Through | 207,160 | - | - | - | 207,160 |
| Total Expenditures | <u>5,985,966</u> | <u>137,048</u> | <u>871,221</u> | <u>490,252</u> | <u>7,484,487</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>86,922</u> | <u>325,173</u> | <u>(151,891)</u> | <u>(91,255)</u> | <u>168,949</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from Sale of Capital Assets | - | - | 6,750 | - | 6,750 |
| Long-Term Debt Proceeds | - | - | 203,699 | - | 203,699 |
| Transfers In | 7,225 | - | - | 115,674 | 122,899 |
| Transfers Out | - | - | (115,674) | - | (115,674) |
| Total Other Financing Sources | <u>7,225</u> | <u>-</u> | <u>94,775</u> | <u>115,674</u> | <u>217,674</u> |
| Net Change in Fund Balance | <u>94,147</u> | <u>325,173</u> | <u>(57,116)</u> | <u>24,419</u> | <u>386,623</u> |
| Fund Balances at Beginning of Year | <u>1,842,267</u> | <u>1,955,150</u> | <u>1,432,537</u> | <u>602,076</u> | <u>5,832,030</u> |
| Prior Period Adjustment/Restatement | <u>39,196</u> | <u>-</u> | <u>(39,196)</u> | <u>-</u> | <u>-</u> |
| Fund Balances - Beginning of Year, Restated | <u>1,881,463</u> | <u>1,955,150</u> | <u>1,393,341</u> | <u>602,076</u> | <u>5,832,030</u> |
| Fund Balances at End of Year | <u>\$ 1,975,610</u> | <u>\$ 2,280,323</u> | <u>\$ 1,336,225</u> | <u>\$ 626,495</u> | <u>\$ 6,218,653</u> |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

Amounts reported for governmental activities in the Statement of Activities are different because:

| | | |
|--|----|---------|
| Net Change in Fund Balances - Total Governmental funds (page 18) | \$ | 386,623 |
|--|----|---------|

| | | |
|---|--|----------|
| Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred inflows. They are, however, recorded as revenues in the Statement of Activities. This represents the change in the income surtax deferred inflow from the prior year. | | (59,670) |
|---|--|----------|

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | 634,642 | |
| Depreciation expense | <u>(404,658)</u> | 229,984 |

| | | |
|---|--|---------|
| The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are recorded as a deferred outflow of resources in the Statement of Net Position. | | 252,590 |
|---|--|---------|

| | | |
|---|--|---------|
| Accrued interest expense that does not require current financial resources. | | (2,579) |
|---|--|---------|

| | | |
|---|--|-----------|
| Lease proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. | | (203,699) |
|---|--|-----------|

| | | |
|--|--|---------|
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was: | | 107,515 |
|--|--|---------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|----------------|-----------|
| Pension Expense | (244,596) | |
| Other Postemployment Benefits | <u>(9,030)</u> | (253,626) |

| | | |
|---|----|-----------------------|
| Change in Net Position of Governmental Activities (page 15) | \$ | <u><u>457,138</u></u> |
|---|----|-----------------------|

NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

| | School Nutrition Fund |
|--|---------------------------|
| Assets | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 26,940 |
| Accounts Receivable | 12 |
| Due from Other Governmental Agencies | 29,364 |
| Due from Other Funds | 272 |
| Inventories | 13,404 |
| Total Current Assets | <u>69,992</u> |
| Noncurrent Assets: | |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | <u>1,372</u> |
| Total Assets | <u>71,364</u> |
| Deferred Outflows of Resources | |
| Pension Related Deferred Outflows | 15,740 |
| OPEB Related Deferred Outflows | <u>1,336</u> |
| Total Deferred Outflows of Resources | <u>17,076</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | 2,449 |
| Due to Other Funds | 14,566 |
| Unearned Revenue | <u>6,393</u> |
| Total Current Liabilities | 23,408 |
| Noncurrent Liabilities | |
| Net Pension Liability | 56,256 |
| Total OPEB Liability | <u>6,774</u> |
| Total Noncurrent Liabilities | <u>63,030</u> |
| Total Liabilities | <u>86,438</u> |
| Deferred Inflows of Resources | |
| Pension Related Deferred Inflows | 15,204 |
| OPEB Related Deferred Inflows | <u>265</u> |
| Total Deferred Inflows of Resources | <u>15,469</u> |
| Net Position | |
| Net Investment in Capital Assets | 1,372 |
| Unrestricted (Deficit) | <u>(14,839)</u> |
| Total Net Position | <u>\$ (13,467)</u> |

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | School Nutrition Fund |
|---|---------------------------|
| Operating Revenues: | |
| Charges for Services | \$ 54,918 |
| Miscellaneous | 607 |
| Total Operating Revenue | <u>55,525</u> |
| Operating Expenses: | |
| Non-Instructional Programs: | |
| Food Service Operations: | |
| Salaries | 83,859 |
| Benefits | 30,648 |
| Food | 82,390 |
| Supplies | 4,511 |
| Other Expense | 1,629 |
| Depreciation | 1,176 |
| Total Operating Expenses | <u>204,213</u> |
| Operating (Loss) | (148,688) |
| Non-Operating Revenue: | |
| Regular Instruction | 213 |
| State Lunch Reimbursements | 1,267 |
| National School Lunch Program | 164,430 |
| Federal Food Commodities Received | 13,155 |
| Total Non-Operating Revenue | <u>179,065</u> |
| Other Financing Sources (Uses) | |
| Transfers Out | (7,225) |
| Total Other Financing Sources | <u>(7,225)</u> |
| Change in Net Position | 23,152 |
| Net Position - Beginning (Deficit) | <u>(36,619)</u> |
| Net Position - Ending (Deficit) | <u><u>\$ (13,467)</u></u> |

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | School Nutrition Fund |
|--|----------------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 34,254 |
| Cash Payments for Salaries and Benefits | (114,305) |
| Cash Payments for Goods and Services | (79,164) |
| Net Cash (Used) by Operating Activities | <u>(159,215)</u> |
| Cash Flows from Non-Capital Financing Activities | |
| Federal Appropriations Received | 164,430 |
| State Appropriations Received | 1,267 |
| Cash Paid to General Fund | 1,273 |
| Funds Transferred Out | (7,225) |
| Net Cash Provided by Non-Capital Financing Activities | <u>159,745</u> |
| Cash Flows from Investing Activities | |
| Interest on Investments | <u>213</u> |
| Net Increase in Cash and Cash Equivalents | 743 |
| Cash and Cash Equivalents at Beginning of Year | <u>26,197</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 26,940</u></u> |
| Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities: | |
| Operating (Loss) | \$ (148,688) |
| Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities: | |
| Depreciation Expense | 1,176 |
| Commodities Used | 13,155 |
| (Increase) Decrease in Assets and Deferred Outflows and Increase (Decrease) in Liabilities, and Deferred Inflows: | |
| Accounts Receivable | 44 |
| Due from Other Governmental Agencies | (24,797) |
| Prepaid Expenses | 881 |
| Deferred Outflows | 249 |
| Inventories | (6,635) |
| Accounts Payable | 1,966 |
| Deferred Revenue | 3,480 |
| Net Pension Liability | (5,378) |
| OPEB Liability | (153) |
| Deferred Inflows | 5,485 |
| Net Cash (Used) by Operating Activities | <u><u>\$ (159,215)</u></u> |
| Supplemental Schedule of Noncash Noncapital Financial Activities: | |
| Federal Food Commodities Received | <u><u>\$ 13,155</u></u> |

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020**

| | <u>Private Purpose Trust Scholarship</u> | <u>Agency Fund Music Booster & Post-Prom</u> | <u>Total Fiduciary</u> |
|-----------------------------|--|--|----------------------------|
| Assets | | | |
| Cash and Pooled Investments | \$ 152,556 | \$ 24,157 | \$ 176,713 |
| Total Assets | <u>152,556</u> | <u>24,157</u> | <u>176,713</u> |
| Liabilities | | | |
| Other Payables | - | 24,157 | 24,157 |
| Total Liabilities | <u>-</u> | <u>24,157</u> | <u>24,157</u> |
| Net Position | | | |
| Restricted for Scholarships | 152,556 | - | 152,556 |
| Total Net Position | <u>\$ 152,556</u> | <u>\$ -</u> | <u>\$ 152,556</u> |

See Accompanying Notes to Financial Statements

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Private Purpose Trust Scholarship</u> |
|---|--|
| Additions: | |
| Local Sources: | |
| Interest on Investments | \$ 2,556 |
| Total Additions | <u>2,556</u> |
| Deductions | |
| Support Services | |
| Scholarships Awarded | 1,622 |
| Total Deductions | <u>1,622</u> |
| Change in Net Position | 934 |
| Net Position Beginning of the Year | <u>151,622</u> |
| Net Position End of Year | <u><u>\$ 152,556</u></u> |

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Union Community School District was formed when voters of both the Armstrong-Ringsted and Sentral Community School Districts approved a merger as of July 1, 2014.

The North Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong, Ringsted, Lone Rock, and Fenton Iowa, and agricultural area in Palo Alto, Emmet, and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is currently engaged in a sharing agreement with the North Kossuth Community School District for grades nine through twelve.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Union Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 3.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Kossuth and Emmet County Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statements of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net positions are reported in three categories:

- ***Net Investment in Capital Assets*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Position*** result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position*** consist of net position that do not meet the definition of the two preceding categories. Unrestricted Net Position often have constraints on resources that are imposed which can be removed or modified.

The District first uses restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The District first uses restricted resources to finance qualifying activities.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Capital Projects Fund, Statewide Sales, Service and Use Tax** is used to account for property tax levy per thousand dollars of assessed valuation in the District for the acquisition and construction of capital facilities and other capital assets.
- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to account for the purchase of equipment and the repairing, remodeling, and construction of buildings and land improvements.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major proprietary fund:

- The **Enterprise, School Nutrition Fund** is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

- The **Private Purpose Trust Fund** is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.
- The **Agency Fund** is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements, the proprietary fund financial statements and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – The cash balances of the General and Management funds are pooled and invested, while all other funds have separate accounts. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government- wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| | |
|-----------------------------------|----------|
| Land and Buildings | \$ 2,500 |
| Improvements other than Buildings | \$ 2,500 |
| Furniture and Equipment: | |
| School Nutrition Fund Equipment | \$ 500 |
| Other Furniture and Equipment | \$ 2,500 |

Capital assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

| | |
|-----------------------------------|--------------|
| Buildings | 50 years |
| Improvements other than Buildings | 20 years |
| Furniture and Equipment | 5 – 15 years |

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Pension related deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period. OPEB related deferred outflows of resources consist of changes of assumptions that have not been recognized in the OPEB expense.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue – When assets are recognized in connection with a transaction before the earning process is complete, those assets must be offset by a corresponding liability for unearned revenue.

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to /deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources consists of property tax receivables and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred inflow of resources in the Statement of Net Position consist of succeeding year property tax receivable and succeeding year income surtax that will not be recognized until the year for which it is levied. Pension related deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments. OPEB related deferred inflows of resources consist of the differences between expected and actual experience that have not been recognized in the OPEB expense.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2020, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$484. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

At June 30, 2020, the District had \$818,033 of restricted cash for the repayment of the QZAB note.

Note 3 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2020, short-term interfund borrowings were as follows:

| Fund Due To | Fund Due From | Amount |
|----------------------------|----------------|------------------|
| General Fund | Nutrition Fund | \$ 14,566 |
| General Fund | PPEL | 39,196 |
| Nonmajor Governmental Fund | General Fund | 87 |
| Nutrition Fund | General Fund | 272 |
| | | <u>\$ 54,121</u> |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 3 – INTERFUND RECEIVABLES AND PAYABLES (Continued)

The purpose of the interfund balance from the General fund to the Nutrition fund is for fees that are allocated to Nutrition Fund, the balance from the General Fund to the PPEL fund is for reimbursement of expenses from a prior year, the balance from the Nonmajor Governmental Fund to the General Fund is reimbursement for transportation costs, and the balance from the Nutrition Fund to the General fund is for reimbursement of payroll and insurance benefits.

Note 4 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2020, is as follows:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|-------------------------|------------|-----------|--------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 28,000 | \$ - | \$ - | \$ 28,000 |
| Construction in Progress | - | 137,048 | - | 137,048 |
| Total Assets Not Being Depreciated | 28,000 | 137,048 | - | 165,048 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 9,628,427 | 130,991 | - | 9,759,418 |
| Furniture and Equipment | 2,599,204 | 366,603 | 15,245 | 2,950,562 |
| Total Capital Assets Being Depreciation | 12,227,631 | 497,594 | 15,245 | 12,709,980 |
| Less: Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 4,755,593 | 228,712 | - | 4,984,305 |
| Furniture and Equipment | 1,900,388 | 175,946 | 15,245 | 2,061,089 |
| Total Accumulated Depreciation | 6,655,981 | 404,658 | 15,245 | 7,045,394 |
| Total Capital Assets Being Depreciated, Net | 5,571,650 | 92,936 | - | 5,664,586 |
| Governmental Activities Capital Assets, Net | \$ 5,599,650 | \$ 229,984 | \$ - | \$ 5,829,634 |
| Business-type Activity: | | | | |
| Furniture and Equipment | \$ 50,999 | \$ - | \$ - | \$ 50,999 |
| Less Accumulated Depreciation | 48,451 | 1,176 | - | 49,627 |
| Business-Type Activity Capital Assets, Net | \$ 2,548 | \$ (1,176) | \$ - | \$ 1,372 |

Depreciation expense was charged to the following functions:

Governmental Activities:

| | |
|--|-------------------|
| Instructional | \$ 2,312 |
| Transportation Services | 107,500 |
| Operation and Maintenance | 58,318 |
| Unallocated | 236,528 |
| Total depreciation expense - governmental activities | <u>\$ 404,658</u> |

Business-type Activities:

| | |
|-------------------------|-----------------|
| Food Service Operations | <u>\$ 1,176</u> |
|-------------------------|-----------------|

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 4 – CAPITAL ASSETS (Continued)

Reconciliation of Net Investment in Capital Assets:

| | Governmental Activities | Business-type Activities |
|--|------------------------------------|-------------------------------------|
| Land | \$ 28,000 | \$ - |
| Construction in Progress | 137,048 | - |
| Capital Assets (net of accumulated depreciation) | 5,664,586 | 1,372 |
| Bonds Payable | - | - |
| Leases Payable | (366,076) | - |
| QZAB Payable | (1,000,000) | - |
| Net Investment in Capital Assets | <u>\$ 4,463,558</u> | <u>\$ 1,372</u> |

Note 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Capital Lease Payable | \$ 269,892 | \$ 203,699 | \$ 107,515 | \$ 366,076 | \$ 233,081 |
| Total OPEB Liability | 227,884 | - | 5,029 | 222,855 | - |
| Net Pension Liability | 2,196,479 | - | 257,841 | 1,938,638 | - |
| Qualified Zone Academy Bonds - Direct Borrowings | 1,000,000 | - | - | 1,000,000 | - |
| Long-Term Liabilities | <u>\$ 3,694,255</u> | <u>\$ 203,699</u> | <u>\$ 370,385</u> | <u>\$ 3,527,569</u> | <u>\$ 233,081</u> |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Business Type Activities | | | | | |
| Total OPEB Liability | \$ 6,927 | \$ - | \$ 153 | \$ 6,774 | \$ - |
| Net Pension Liability | 61,634 | - | 5,378 | 56,256 | - |
| Long-Term Liabilities | <u>\$ 68,561</u> | <u>\$ -</u> | <u>\$ 5,531</u> | <u>\$ 63,030</u> | <u>\$ -</u> |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 5 – LONG-TERM LIABILITIES (Continued)

Qualified Zone Academy Bonds – Direct Borrowing

The District borrowed \$1,000,000 under the Qualified Zone Academy Bonds (QZAB). This program is aimed at Districts with 35% or more free and reduced-price meal eligibility. Funds can be used for renovation and repairs, energy saving measures, or technology. The debt is repaid from the same fund as the original expense is made from. This will primarily, if not entirely, be from the Capital Projects Fund. The notes are non-interest bearing. The District makes deposits of \$62,062 to the bank that goes into an interest-bearing reserve account with a guaranteed rate of 3.5%. In the case of default, the entire balance of the deposit and all accrued and unpaid interest thereon to be due and payable upon the Bank's receipt of written notice. At July 1, 2022, the maturity date, the District will have \$1,000,000 in the account from their deposits and interest to pay the loan.

Capital Lease

The District entered into a \$203,699 four-year lease in September 2019, with purchase options, for two school buses. The first payment of \$38,044 was made during the current year. Two additional payments, including principal and interest, totaling \$178,588 is required with a bargain purchase option at the end of the lease. The District entered into a \$414,952 four-year lease in July 2017, with purchase options, for two school buses. The third payment of \$77,630 was made during the current year. No additional payments are required with only a bargain purchase option at the end of the lease. In case of default, the lease would be terminated and the buses returned to the lessor.

| Year Ending June 30 | Total Governmental Activities | |
|------------------------------------|--|------------------|
| | Principal | Interest |
| 2021 | \$ 233,081 | \$ 11,439 |
| 2022 | 33,721 | 4,322 |
| 2023 | 99,274 | 3,226 |
| | <u>\$ 366,076</u> | <u>\$ 18,987</u> |

Note 6 – INTERFUND TRANSFERS

Detail of Interfund transfers for year ended June 30, 2020 is as follows:

| Transfer To | Transfer From | Amount |
|--------------------|----------------------|-------------------|
| General Fund | Nutrition | \$ 7,225 |
| Debt Service | PPEL Fund | 115,674 |
| | | <u>\$ 122,899</u> |

The purpose of the interfund balance from the Nutrition Fund to the General Fund is for indirect costs charged to the Nutrition Fund for operating the lunch and breakfast program. The transfer between the Debt Service Fund and the PPEL Fund is for the bus lease payments.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 7 – PENSION PLAN

Plan description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 7 – PENSION PLAN (Continued)

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the District contributed 9.44 percent for a total rate of 15.73 percent.

The District’s contributions to IPERS for the year ended June 30, 2020 were \$257,745.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$1,994,894 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the District’s collective proportion was 0.0344503 percent, which was a decrease of 0.001231 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$249,462. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 5,530 | \$ 71,726 |
| Changes of assumptions | 213,682 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 224,801 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 18,595 | 220,999 |
| District contributions subsequent to the measurement date | 257,745 | - |
| Total | <u>\$ 495,552</u> | <u>\$ 517,526</u> |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 7 – PENSION PLAN (Continued)

\$257,745 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | |
|---------------------------------|---------------------|
| 2021 | \$ (27,276) |
| 2022 | (111,203) |
| 2023 | (74,615) |
| 2024 | (54,896) |
| 2025 | (11,729) |
| | <u>\$ (279,719)</u> |

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--|
| Rate of inflation (effective June 30, 2017) | 2.60 percent per annum |
| Rates of salary increase (effective June 30, 2017) | 3.25 to 16.25 percent, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 2017) | 7.00 percent, compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 2017) | 3.25 percent per annum base on 2.60 percent inflation and 0.65 percent real wage inflation |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Mortality Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 7 – PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-------------------------|---|
| Domestic Equity | 22% | 5.60% |
| International Equity | 15.0 | 6.08 |
| Global Smart Beta Equity | 3.0 | 5.82 |
| Core Plus Fixed Income | 27.0 | 1.71 |
| Public Credit | 3.5 | 3.32 |
| Public Real Assets | 7.0 | 2.81 |
| Cash | 1.0 | -0.21 |
| Private Equity | 11.0 | 10.13 |
| Private Real Assets | 7.5 | 4.76 |
| Private Credit | 3.0 | 3.01 |
| Total | <u>100%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

| | <u>1% Decrease 6.00%</u> | <u>Discount Rate 7.00%</u> | <u>1% Increase 8.00%</u> |
|---|------------------------------|--------------------------------|------------------------------|
| District's proportionate share of the net pension liability | \$ 3,542,294 | \$ 1,994,894 | \$ 696,958 |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 7 – PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2020, the District did not have any payable amounts not yet remitted to IPERS.

Note 8 – OTHER POST EMPLOYMENT BENEFITS

Plan Description. The District administers an Other Postemployment Benefits (OPEB) plan providing medical and prescription drug benefits to retired employees and their dependents under certain conditions. Group insurance benefits are established under Iowa Code Chapter 509A.13. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement eligibility with IPERS. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Employees Covered by Benefit Terms. As of June 30, 2020, the following employees were covered by benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 4 |
| Inactive employees or beneficiaries entitled to but not yet receiving benefit payments | - |
| Active plan members | 62 |
| | <u>66</u> |

Total OPEB Liability

The District’s total OPEB liability of \$229,629 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 3.0 percent |
| Salary increases | 3.25 percent , average, including inflation |
| Healthcare cost trend rates | 7.5 percent for 2020, decreasing 0.25 percent per year to an ultimate rate of 5.0 percent for 2030 and later years |
| Retirees' share of benefit-related costs | 100 percent of projected health insurance premiums for retirees |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

A discount rate of 3.50% was applied in the measurement of the total OPEB liability. The discount rate as of July 1, 2019 is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2019 generational projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2020 measurement represent a reasonable long-term expectation of future OPEB outcomes.

Change in the Total OPEB Liability

| | Total OPEB Liability |
|---|-------------------------|
| Balance at beginning of fiscal year | <u>\$ 234,811</u> |
| Changes for the year: | |
| Service Cost | 11,156 |
| Interest | 8,023 |
| Changes in assumptions | 836 |
| Difference between expected and actual experience | (9,944) |
| Benefit payments | <u>(15,253)</u> |
| Net changes | <u>(5,182)</u> |
| Balance at end of fiscal year | <u>\$ 229,629</u> |

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2019 to 3.50% in fiscal year 2020.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease <u>(2.50%)</u> | Discount Rate <u>(3.50%)</u> | 1% Increase <u>(4.50%)</u> |
|----------------------|-------------------------------|---------------------------------|-------------------------------|
| Total OPEB liability | \$ 244,743 | \$ 229,629 | \$ 215,585 |

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (6.5% decreasing to 4.0%) | Healthcare Cost Trend Rates (7.5% decreasing to 5.0%) | 1% Increase (8.5% decreasing to 6.0%) |
|----------------------|--|---|--|
| Total OPEB liability | \$ 211,580 | \$ 229,629 | \$ 250,702 |

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$24,557. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 23,251 | \$ 8,969 |
| Changes of assumptions | 22,027 | - |
| Total | \$ 45,278 | \$ 8,969 |

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| Year Ending June 30 | Total |
|------------------------|------------------|
| 2021 | \$ 5,378 |
| 2022 | 5,378 |
| 2023 | 5,378 |
| 2024 | 5,378 |
| 2025 | 5,378 |
| Thereafter | 9,419 |
| | <u>\$ 36,309</u> |

NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$207,160 for the year ended June 30, 2020, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10 – RISK MANAGEMENT

North Union Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11- CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2020 is comprised of the following programs:

| Program | Amount |
|---------------------------|-------------------|
| Teacher Mentoring Program | \$ 2,929 |
| Vocational Aid | 999 |
| Market Factor | 2,530 |
| Professional Development | 85,422 |
| Teacher Leadership | 15,930 |
| Talented and Gifted | 60,646 |
| Preschool State | 8,075 |
| Total | <u>\$ 176,531</u> |

Note 12 – DEFICIT BALANCE

The Nutrition Fund had a deficit net position as of June 30, 2020. The reason for this deficit net position is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions during a prior fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015.

Note 13 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled to and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 13 – TAX ABATEMENTS (Continued)

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

| Entity | Tax Abatement Program | Amount of Tax Abated |
|-------------------|---|-----------------------------|
| City of Armstrong | Urban renewal and economic development projects | \$ 5,830 |

Note 14 – PRIOR PERIOD ADJUSTMENT

In the prior year financial statements, an error was made in the recording of an expense. The error has been corrected and results in the change to net position as follows:

| | General Fund | Physical Plant and Equipment Levy |
|--|---------------------|---|
| Net Position at Beginning of Year, a previously reported | \$ 1,842,267 | \$ 1,432,537 |
| Expense allocation change | 39,196 | (39,196) |
| Net Position at Beginning of Year, as restated | <u>\$ 1,881,463</u> | <u>\$ 1,393,341</u> |

Note 15 – PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts Original | Final to Actual Variance |
|--|---------------------------------|-------------------------------|---------------------|---------------------------------|--------------------------------|
| Revenue | | | | | |
| Local Sources: | | | | | |
| Local Taxes | \$ 3,648,629 | \$ - | \$ 3,648,629 | \$ 3,672,404 | \$ (23,775) |
| Tuition | 788,783 | - | 788,783 | 800,000 | (11,217) |
| Other | 567,084 | 55,738 | 622,822 | 574,350 | 48,472 |
| State Sources | 2,311,380 | 1,267 | 2,312,647 | 2,188,944 | 123,703 |
| Federal Sources | 337,560 | 177,585 | 515,145 | 285,000 | 230,145 |
| Total Receipts | <u>7,653,436</u> | <u>234,590</u> | <u>7,888,026</u> | <u>7,520,698</u> | <u>367,328</u> |
| Expenditures | | | | | |
| Instruction | 4,547,691 | - | 4,547,691 | 5,050,000 | 502,309 |
| Support Services | 2,380,686 | - | 2,380,686 | 2,455,000 | 74,314 |
| Non-Instructional Programs | - | 204,213 | 204,213 | 220,000 | 15,787 |
| Other Expenditures | 556,110 | - | 556,110 | 827,793 | 271,683 |
| Total Expenditures | <u>7,484,487</u> | <u>204,213</u> | <u>7,688,700</u> | <u>8,552,793</u> | <u>864,093</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 168,949 | 30,377 | 199,326 | (1,032,095) | 1,231,421 |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers From Other Funds | 122,899 | - | 122,899 | 100,000 | 22,899 |
| Operating Transfers to Other Funds | (115,674) | (7,225) | (122,899) | - | (122,899) |
| Long-Term Debt Proceeds | 203,699 | - | 203,699 | - | 203,699 |
| Total Other Financing Sources (Uses) | <u>217,674</u> | <u>(7,225)</u> | <u>210,449</u> | <u>100,000</u> | <u>110,449</u> |
| Change in Fund Balance | 386,623 | 23,152 | 409,775 | (932,095) | 1,341,870 |
| Fund Balance at Beginning of Year | <u>5,832,030</u> | <u>(36,619)</u> | <u>5,795,411</u> | <u>5,795,411</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 6,218,653</u> | <u>\$ (13,467)</u> | <u>\$ 6,205,186</u> | <u>\$ 4,863,316</u> | <u>\$ 1,341,870</u> |

See Accompanying Independent Auditor's Report

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2020**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST SIX FISCAL YEARS*
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.034450% | 0.035681% | 0.036807% | 0.040526% | 0.039401% | 0.046686% |
| District's proportionate share of the net pension liability | \$ 1,994,894 | \$ 2,258,113 | \$ 2,451,791 | \$ 2,550,392 | \$ 1,958,796 | \$ 1,851,502 |
| District's covered payroll | \$ 2,623,581 | \$ 2,681,784 | \$ 2,747,442 | \$ 2,908,255 | \$ 2,859,201 | N/A |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 76.04% | 84.20% | 89.24% | 87.69% | 68.51% | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 85.45% | 83.62% | 82.21% | 81.82% | 85.19% | 87.61% |

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST SIX FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily required contribution | \$ 257,745 | \$ 247,666 | \$ 239,483 | \$ 245,347 | \$ 259,707 | \$ 255,328 |
| Contributions in relation to the statutorily required contribution | <u>(257,745)</u> | <u>(247,666)</u> | <u>(239,483)</u> | <u>(245,347)</u> | <u>(259,707)</u> | <u>(255,328)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,730,350 | \$ 2,623,581 | \$ 2,681,784 | \$ 2,747,442 | \$ 2,908,255 | \$ 2,859,201 |
| Contributions as a percentage of covered payroll | 9.44% | 9.44% | 8.93% | 8.93% | 8.93% | 8.93% |

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2020**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Charged mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST THREE FISCAL YEARS**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|--------------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 11,156 | \$ 13,254 | \$ 12,836 |
| Interest | 8,023 | 8,373 | 8,238 |
| Changes in assumptions | 836 | - | 30,261 |
| Difference between expected and actual experience | (9,944) | - | 33,076 |
| Benefit payments | <u>(15,253)</u> | <u>(14,879)</u> | <u>(20,552)</u> |
| Net change in total OPEB liability | (5,182) | 6,748 | 63,859 |
| Total OPEB liability - beginning | <u>234,811</u> | <u>228,063</u> | <u>164,204</u> |
| Total OPEB liability - ending | <u><u>\$ 229,629</u></u> | <u><u>\$ 234,811</u></u> | <u><u>\$ 228,063</u></u> |
| Covered-employee payroll | \$ 2,204,452 | \$ 2,219,960 | \$ 2,150,082 |
| Total OPEB liability as a percentage of covered-employee payroll | 10.4% | 10.6% | 10.6% |

Notes to Schedule:

Changes of assumptions - Changes of assumptions reflects the effects of changes in the discount rate each period. The following are the discount rates used each period:

| | |
|--------------------------|-------|
| Year ended June 30, 2020 | 3.50% |
| Year ended June 30, 2019 | 3.58% |
| Year ended June 30, 2018 | 3.58% |
| Year ended June 30, 2017 | 2.50% |

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2020**

SCHEDULE 1

| | Special Revenue Funds | | Debt Service Fund | |
|---|--------------------------|-------------------|----------------------|-------------------|
| | Student Activity | Management | Debt Service | Total |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 187,352 | \$ 442,916 | \$ - | \$ 630,268 |
| Receivables: | | | | |
| Property Tax | - | 697 | - | 697 |
| Succeeding Year Property Tax | - | 175,000 | - | 175,000 |
| Due from Other Funds | 87 | - | - | 87 |
| Other | 977 | - | - | 977 |
| Total Assets | <u>188,416</u> | <u>618,613</u> | <u>-</u> | <u>807,029</u> |
| Liabilities | | | | |
| Accounts Payable | 5,534 | - | - | 5,534 |
| Total Liabilities | <u>5,534</u> | <u>-</u> | <u>-</u> | <u>5,534</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenues: | | | | |
| Succeeding Year Property Tax | - | 175,000 | - | 175,000 |
| Fund Balances | | | | |
| Restricted for: | | | | |
| Student Activities | 182,882 | - | - | 182,882 |
| Management Levy | - | 443,613 | - | 443,613 |
| Total Fund Balances | <u>182,882</u> | <u>443,613</u> | <u>-</u> | <u>626,495</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 188,416</u> | <u>\$ 618,613</u> | <u>\$ -</u> | <u>\$ 807,029</u> |

NORTH UNION COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 2

| | Special Revenue Funds | | Debt Service Fund | |
|--|--------------------------|-------------------|----------------------|-------------------|
| | Student Activity | Management | Debt Service | Total |
| Revenues | | | | |
| Local Sources | | | | |
| Local Tax | \$ - | \$ 174,282 | \$ - | \$ 174,282 |
| Other | 222,091 | 1,567 | - | 223,658 |
| State Revenues | - | 1,057 | - | 1,057 |
| Total Revenues | <u>222,091</u> | <u>176,906</u> | <u>-</u> | <u>398,997</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Other Instruction | 202,272 | - | - | 202,272 |
| Support Services: | | | | |
| Administration Services | - | 67,281 | - | 67,281 |
| Operation and Maintenance | - | 83,331 | - | 83,331 |
| Transportation Services | - | 21,694 | - | 21,694 |
| Other Expenditures: | | | | |
| Long-Term Debt | | | | |
| Principal | - | - | 107,515 | 107,515 |
| Interest and Fiscal Charges | - | - | 8,159 | 8,159 |
| Total Expenditures | <u>202,272</u> | <u>172,306</u> | <u>115,674</u> | <u>490,252</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 19,819 | 4,600 | (115,674) | (91,255) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | - | 115,674 | 115,674 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>115,674</u> | <u>115,674</u> |
| Net Change in Fund Balances | 19,819 | 4,600 | - | 24,419 |
| Fund Balances at Beginning of Year | <u>163,063</u> | <u>439,013</u> | <u>-</u> | <u>602,076</u> |
| Fund Balances at End of Year | <u>\$ 182,882</u> | <u>\$ 443,613</u> | <u>\$ -</u> | <u>\$ 626,495</u> |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

SCHEDULE 3

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|--------------------|---------------------------------|-----------|------------|---------------------------|
| Assets | | | | |
| Cash | \$ 13,381 | \$ 83,521 | \$ 72,745 | \$ 24,157 |
| Liabilities | | | | |
| Other Payables | \$ 13,381 | \$ 83,521 | \$ 72,745 | \$ 24,157 |

NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 4

| | Balance July 1, 2019 | Revenues and Interfund Transfers | Expenditures | Balance June 30, 2020 |
|--------------------------|-------------------------|--|-------------------|--------------------------|
| Senior High/Junior High | \$ 59,390 | \$ 99,973 | \$ 86,344 | \$ 73,019 |
| Athletics | 81,921 | 97,158 | 92,839 | 86,240 |
| Elementary | 21,752 | 24,960 | 23,089 | 23,623 |
| Total for Activity Funds | <u>\$ 163,063</u> | <u>\$ 222,091</u> | <u>\$ 202,272</u> | <u>\$ 182,882</u> |

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS**

SCHEDULE 5

| Modified Accrual Basis of Accounting | | | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Revenues: | | | | | | |
| Local Sources: | | | | | | |
| Local Tax | \$ 3,648,629 | \$ 3,556,971 | \$ 3,494,552 | \$ 3,833,215 | \$ 3,872,650 | \$ 3,871,713 |
| Tuition | 788,783 | 694,606 | 626,020 | 726,074 | 828,902 | 879,737 |
| Other | 567,084 | 519,108 | 507,763 | 498,635 | 401,765 | 381,801 |
| State Sources | 2,311,380 | 2,251,503 | 2,439,724 | 2,083,999 | 2,095,267 | 2,267,184 |
| Federal Sources | 337,560 | 96,624 | 169,348 | 195,870 | 213,908 | 299,265 |
| | <u>\$ 7,653,436</u> | <u>\$ 7,118,812</u> | <u>\$ 7,237,407</u> | <u>\$ 7,337,793</u> | <u>\$ 7,412,492</u> | <u>\$ 7,699,700</u> |
| Expenditures: | | | | | | |
| Instruction: | \$ 4,547,691 | \$ 4,502,073 | \$ 4,084,083 | \$ 4,370,944 | \$ 4,354,916 | \$ 4,472,264 |
| Support Services: | | | | | | |
| Student Services | 100,811 | 82,446 | 81,639 | 77,161 | 89,553 | 35,475 |
| Instructional Staff Services | 195,180 | 144,063 | 7,722 | 23,189 | 8,197 | 105,112 |
| Administration Services | 718,927 | 680,416 | 609,197 | 577,592 | 615,636 | 762,473 |
| Operations and Maintenance | 914,248 | 771,504 | 851,421 | 775,410 | 774,104 | 738,727 |
| Transportation Services | 451,520 | 292,056 | 696,563 | 383,894 | 264,808 | 568,263 |
| Other Expenditures: | | | | | | |
| Facilities Acquisition | 233,276 | 223,643 | 178,913 | 396,116 | 263,797 | 137,330 |
| Long-term Debt: | | | | | | |
| Principal | 107,515 | 67,429 | 77,631 | 138,742 | 935,627 | 340,321 |
| Interest and Other Charges | 8,159 | 10,202 | - | 6,255 | 40,922 | 46,626 |
| AEA Flowthrough | 207,160 | 205,761 | 206,226 | 199,622 | 204,850 | 206,350 |
| | <u>\$ 7,484,487</u> | <u>\$ 6,979,593</u> | <u>\$ 6,793,395</u> | <u>\$ 6,948,925</u> | <u>\$ 7,552,410</u> | <u>\$ 7,412,941</u> |



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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Education of the
North Union Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of North Union Community School District, Armstrong Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Union Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Union Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

North Union Community School District's Response to Findings

North Union Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Union Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.

Certified Public Accountants

Estherville, Iowa
March 18, 2021

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

PART I – SUMMARY OF INDEPENDENT AUDITORS' RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCY:

2020-001 Financial Reporting

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition - During our audit, we identified immaterial fund balances, payables, revenues and expenses not recorded properly in the District's financial statements.

Cause- With a limited number of personnel and time constraints, review procedures do not allow for all misstatements to be caught.

Effect - As a result of these misstatements, the financial statements could have been materially misstated.

Recommendation – The District should implement procedures to ensure all fund balances, payables, revenues, and expenses are identified and included in the District's financial statements.

Response – The District will review these in the future to avoid missing any of these transactions.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

20-III-A: Certified Budget – Disbursements for the year ended June 30, 2020 did not exceed the certified budget amounts.

20-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)

20-III-C: Travel Expense – No expenditures of North Union Community School District were for travel expenses of spouses of District officials or employees.

20-III-D: Business Transactions – No transactions were noted between the District and the District officials or employees.

20-III-E: Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-III-F: Bond Coverage - Surety bond coverage of North Union Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

20-III-G: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

20-III-H: Certified Enrollment – The number of resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2019 was overstated by 1 student. The District's certified enrollment count included 1 student that was funded but not enrolled.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – The district is notified of any certified enrollment adjustments by the department of education through the Student Reporting in Iowa after all districts have certified their files.

Conclusion – Response accepted.

20-III-I: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

20-III-J: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

20-III-K: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

20-III-L: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**NORTH UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)

20-III-M: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District's reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2020 audit.

| | | |
|--|---------|----------------------------|
| Beginning Balance | | \$ 1,955,150 |
| Statewide Sales and Services Tax Revenue | 425,251 | |
| Other | 36,970 | <u>462,221</u> |
| | | 2,417,371 |
| Expenditures/Transfers Out: | | |
| School Infrastructure: | | |
| Facilities Acquisition | 137,048 | <u>137,048</u> |
| Ending Balance | | <u><u>\$ 2,280,323</u></u> |

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

20-III-N: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2020.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The implementation of GASB Statement No. 68 had a negative impact on the Nutrition Fund. We will consider alternatives to eliminate the deficit.

Conclusion – Response accepted.

20-III-O: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.